



THE CITY OF SAN DIEGO

## **Redevelopment in San Diego**

### **FREQUENTLY ASKED QUESTIONS**

#### **What is Redevelopment?**

Redevelopment is a tool created by state law to assist local governments in eliminating blight from a designated area, as well as to achieve the goals of development, reconstruction and rehabilitation of residential, commercial, industrial and retail districts. Blight consists of the physical and economic conditions within an area that cause a reduction of, or lack of, proper utilization of that area.

#### **Why do we have Redevelopment/Why is it important?**

Redevelopment Law was enacted to address deterioration and decay throughout California.

Deteriorating areas become centers of poverty, overcrowding, crime and disease for those who are trapped there, resulting in social and economic drains on the entire community.

Redevelopment is one of the most effective ways to breathe new life into blighted areas plagued by a variety of social, physical, environmental and economic conditions that act as barriers to new investment by private enterprise.

#### **What can Redevelopment do?**

Redevelopment activities may include the rehabilitation/reconstruction of existing structures, the redesign/replanning of areas with inefficient site layout, the demolition and clearance of existing structures, the construction/rehabilitation of affordable housing and the construction of public facilities including, but not limited to, public buildings, streets, sidewalks, sewers, storm drains, water systems and street lights. All of this contributes to general economic revitalization of an area, making it more attractive for additional investors.

Examples of redevelopment tools:

- Ability to assemble land for development
- Ability to utilize tax increment and issue bonds
- Ability to invest in infrastructure to “lure” private enterprise
- Ability to create affordable housing opportunities

#### **Why can't private enterprise do it alone?**

The deteriorated and blighted areas designated for redevelopment are those areas where private enterprise has already failed to operate efficiently to ensure prosperity in that area. If deterioration is not stopped and turned around, the area will be unattractive for business investment. Public funds are used to leverage private investment into these blighted areas. These funds may also be spent to improve streets, utilities, landscaping, etc. to encourage and attract private development.

#### **What are the benefits to residents and businesses within and surrounding a Redevelopment Project Area?**

As offices, industries, services and shops leave deteriorated areas, the jobs and dollars that would have been spent there are lost. Through redevelopment, a project area receives focused attention and financial investment to reverse deteriorating trends, create jobs, revitalize the business climate, rehabilitate and add to the housing stock, as well as gain active participation and investment by residents and local business which would not otherwise occur. These revitalization efforts have positive effects that spill over the project area boundaries and improve the entire community.

Examples of activities/benefits generated through redevelopment:

- Commercial mixed-use projects
- New/Rehabilitated affordable and market-rate housing
- New and revitalized schools
- Increased investment in the area
- Living wage job creation
- Transportation facilities
- Sales, hotel and utility tax revenue
- Youth recreation and service centers
- Community beautification
- Renewed civic pride

### **City of San Diego Redevelopment Agency**

#### **What is a Redevelopment Agency?**

The authority to establish a redevelopment agency is granted by California Community Redevelopment Law, California Health and Safety Code, Section 33000 et seq. In the City of San Diego, as is the case in most cities, the Mayor and City Councilmembers are also the governing board for the Redevelopment Agency. The Agency and the City Council remain, however, two separate and distinct legal entities.

#### **What are the Redevelopment Agency's powers and jurisdiction?**

California Community Redevelopment Law (CRL) prescribes the powers of a redevelopment agency. An agency may prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas. Once the plan adoption process has begun, an agency may exercise certain additional powers, such as acquiring property. Once the redevelopment plan for a certain project area has been adopted, an agency may exercise full authority granted by CRL within the project area. It is important to note that redevelopment agencies do not have the authority to levy taxes within a project area or citywide.

### **Establishing a Redevelopment Project Area**

#### **What are the requirements for establishing a redevelopment project area?**

Before a project area is established, a survey area is designated to determine whether or not a redevelopment project is feasible. Preliminary studies, such as feasibility studies, are conducted to make a determination of the blighting conditions within the area.

- Physical conditions that cause blight are buildings in which it is unsafe or unhealthy for persons to live or work; factors that prevent or hinder the economically viable use or capacity of buildings or lots; adjacent or nearby uses that are incompatible with each other and prevent the economic development of those parcels or other portions of the project area; and the existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.

- Economic conditions that cause blight are depreciated or stagnant property values or impaired investment, abnormally high business vacancies, abnormally low lease rates, high turnover rates and abandoned buildings; a lack of necessary commercial facilities that are normally found in neighborhoods; residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults and has led to public safety and welfare problems; and a high crime rate that constitutes a serious threat to the safety and welfare of the public.
- The characteristics of blight have been defined by the state legislature; therefore, in eliminating blight, the redevelopment agency is carrying out state policy.

### **How can I participate in the redevelopment process?**

CRL requires certain formal procedures to ensure that there are opportunities for taxing agencies and citizens to provide input and comments. One such opportunity is the formation of a Project Area Committee (PAC). Residents, business owners and existing community organizations within the redevelopment project area are called upon to form a PAC if either or all of the following situations exist:

- A substantial number of low- and/or moderate-income persons live within the project area, and the adopted redevelopment plan contains authority for the redevelopment agency to acquire, by eminent domain, property on which anyone resides; or
- The redevelopment plan as adopted contains one or more public projects that will displace a substantial number of low- and/or moderate-income persons.
- A PAC typically serves for three years after the redevelopment plan is adopted. The PAC is an elected advisory committee for a specific proposed redevelopment project area. Unlike other advisory community groups, the PAC does not serve as a planning group or town council, and therefore does not review issues outside of its designated project area. The primary focus of a PAC is the activities within the redevelopment project area. PAC meetings are subject to the Brown Act requiring open meetings.

### **What is a redevelopment plan?**

The redevelopment plan contains the basic authority for and limits upon the redevelopment agency – it is the governing document for the Agency’s activities. The plan establishes long-term planning goals, implementation policies and procedures as well as serves as a financing plan. Adoption of a redevelopment plan is normally a lengthy and complicated process involving public participation and preparation of specific reports and documents. This process typically takes between 12 and 18 months. The duration of the redevelopment plan cannot exceed 30 years.

### **Property Acquisition**

CRL sets forth the statutory authority for the acquisition of property by a redevelopment agency.

### **May I voluntarily sell my property to the redevelopment agency?**

A property owner may sell their property to a redevelopment agency. Under California law, a property is offered for sale if the owner offers it directly to the agency for a specified price before the agency begins negotiations with the property owner, or if it is offered for sale no more than six months before and is still available. An agency seeking to acquire property for

redevelopment normally appraises the land and offers the owner its fair market value, which must be not less than the appraised value of the property.

### **What is eminent domain and why do redevelopment agencies have this power?**

Eminent domain or condemnation is the right of a government to take private property for public use in exchange for just compensation. Agencies may use this redevelopment tool to assemble many separate parcels of land into a site large enough for their needs in order to reduce or eliminate a blighting condition. The agency is required by CRL to hold public hearings on the action, to pay the owner fair market value and to give the occupant all relocation benefits and allowances entitled by law. Acquiring property this way is typically used only as a **last resort** since it is generally time-consuming and costly. The time period for acquiring property through eminent domain within the project area may not exceed 12 years after the establishment of the project.

### **What assistance do I receive if I am relocated?**

If a household or business is displaced due to property acquisition by a redevelopment agency, occupants are entitled by law to certain moving assistance benefits. These benefits help assist families, individuals, businesses and nonprofit organizations to relocate. Relocation benefits include:

- Assistance in finding a new location
- Payments to help cover moving costs
- Differential payments for increased rent
- Additional payments for certain other costs

## **Financing Redevelopment**

### **What is tax increment and how does it work?**

Tax increment is the primary source of revenue that redevelopment agencies have to undertake redevelopment projects. It is based on the assumption that a revitalized project area will generate more property taxes than were being produced before redevelopment.

When a redevelopment project area is adopted, the current assessed values of the property within the project area are designated as the base year value. Tax increment comes from the increased assessed value of property, not from an increase in tax rate. Any increases in property value, as assessed because of change of ownership or new construction, will increase tax revenue generated by the property. This increase in tax revenue is the tax increment that goes to the Agency.

Using tax increment financing does not mean property taxes will be raised. Until a property is improved or sold, assessed values and tax rates remain unchanged in redevelopment areas. Additionally, they are restricted by Proposition 13 limitations.

### **How are other jurisdictions affected by tax increment financing?**

Taxing entities such as the county, school districts, and special districts that serve the project area continue to receive all tax revenues they were receiving the year the redevelopment project was implemented (the base year). A redevelopment agency only has access to tax that surpasses

the base year amount. In addition, school districts and community college districts receive a portion of the redevelopment tax increments. For redevelopment projects that were adopted before AB 1290, or January 1, 1994, the Agency negotiated separate agreements with each taxing entity. For those projects adopted on or after January 1, 1994, the total amount distributed to each entity is the same at 20 percent of the gross tax increment, which is divided amongst each taxing entity.

### **What are tax allocation bonds?**

The most common bond instrument used by redevelopment agencies to finance projects is called a tax allocation bond. These bonds, which are a loan of money to an agency, are not a debt of the community or the general taxpayer. Rather, they are repaid solely from tax increment revenue generated within the project area. In other words, increased tax revenues generated through redevelopment activities are funneled back into the project area to stimulate more development as well as to pay the costs involved.

### **Are there any financial advantages for a redevelopment agency to partner with a developer?**

Redevelopment agencies may not have the necessary funding to undertake the costs of a redevelopment project. A developer can advance funds to an agency for any redevelopment purpose, including preliminary studies and agency administrative costs. In many cases, it is often more cost effective for the agency to acquire the land and deliver the property to the developer “as is,” leaving demolition and site preparation costs to the developer, who can usually do the work more cheaply.

### **Are there other sources of funds?**

In addition to the aforementioned funds, an agency can receive loans, grants, or other financial assistance from the City/County or other agencies, as well as from the federal government.

### **Affordable Housing Requirements**

According to data from the 2000 Census, the Area Median Income (AMI) for a family of four in the County of San Diego is \$60,100. The AMI is used to determine the percentage of affordable homes constructed or rehabilitated for very low-, low- and moderate-income households. At least 15 percent of all units developed in a project area must be affordable, which means 50 to 120 percent of the AMI or \$30,050 to \$72,100. At least 40 percent of that 15 percent must be available for very low-income households.

### **How do redevelopment agencies maintain affordable housing?**

CRL requires that no less than 20 percent of tax increment revenue derived from a redevelopment project area be used to increase, improve, and preserve the supply of housing for very low-, low- and moderate-income households. If none is provided within a redevelopment project area, then the funds must be used to build twice that amount elsewhere. Possibilities include financial assistance to upgrade existing units, the construction of new housing, and improvements to public facilities and infrastructure that service low- and moderate-income neighborhoods.

### **What are inclusionary housing requirements?**

In addition to the 20 percent requirement, the CRL contains inclusionary housing requirements.

- Units developed by an agency: At least 30 percent of all new or rehabilitated dwelling units developed by the Agency must be available at affordable housing cost to persons of low and moderate income. Also, not less than 50 percent of those units are to be available at affordable cost to persons of very low income.
- Units developed within a redevelopment project area: For new or rehabilitated dwelling units developed by public or private entities or persons other than an agency within a 10-year period, those units are to be available at costs affordable to persons of low or moderate income. Not less than 40 percent of these units are to be available to very low-income households.

### **Are low- or moderate-income housing units replaced when they are destroyed or removed?**

Whenever residential units housing persons of low or moderate income are removed from the market as part of a specific project, an agency is required by law to rehabilitate or construct an equal number of replacement dwelling units within the jurisdiction of that agency, within four years of removal. Also, 75 percent of the replacement units must be affordable to the same income level (very low, low or moderate) as the persons displaced from the removed units.

### **Redevelopment in San Diego**

The Redevelopment Agency of the City of San Diego was created in 1958 and exists for the purpose of eliminating blight from a designated area, as well as achieving the goals of development, reconstruction and rehabilitation of residential, commercial, industrial and retail districts.

The Agency consists of three “divisions” which manage 15 project areas covering 8,100 acres:

- An internal **City Redevelopment Division**: the largest of the “divisions,” the City Redevelopment Division is housed in the Community and Economic Development Department. Department management also serves as management for the entire Redevelopment Agency. This division manages nine project areas throughout San Diego, including Barrio Logan, City Heights, College Community, College Grove, Linda Vista, North Bay, North Park, Naval Training Center and San Ysidro.
- The **Centre City Development Corporation**, which covers two project areas and focuses on Downtown San Diego.
- The **Southeastern Economic Development Corporation**, which includes four project areas and covers several neighborhoods in the southeastern portion of the City.

In most cases, the redevelopment process occurs over a period of 30 years. Eliminating blight is not instantaneous and may be affected by market conditions, development opportunities and the desires and abilities of owners and tenants.

### **Examples of Successful Redevelopment Projects within the City of San Diego**

### **City Heights Urban Village**

The award-winning City Heights Urban Village has recreated the core of the City Heights community, establishing a pedestrian-friendly town square with important City facilities and centers of learning. The project resulted from an unprecedented collaboration among the City of San Diego, CityLink Investment Corp., and Price Charities, as well as several other public and private entities. Already completed are a police substation and community gymnasium, elementary school, library, community service center, recreation center, continuing education center, and retail center. Still under construction are townhomes and an office center.

### **Horton Plaza**

One of the original redevelopment project areas, the 12-block Horton Plaza area was master planned for retail, hotel, office, entertainment and residential uses. Nine blocks contain the highly successful Horton Plaza retail/entertainment center and hotel. High-rise, high-income residential opportunities were introduced to downtown with the opening of Meridian's 172 spacious condominiums. In 1994, the award-winning Horton Fourth Avenue added an innovative mixed-use, residential-over-retail development just 45 feet wide and nearly 500 feet long between the Horton Plaza parking garage and Fourth Avenue. This neighborhood includes the 1913 Golden West Hotel, now a renovated Single Room Occupancy, the Federal Office/Courthouse building, the Paladion, the historic Spreckels Theater/Office Building and two office buildings.

For more information about redevelopment in San Diego, contact the City of San Diego Redevelopment Agency at **(619) 533-4233** or visit the City's Web site at **[www.sandiego.gov](http://www.sandiego.gov)**.

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